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Comments to NIO on Attached Memorandum

West European governments did not follow the US lead in suspending MFN treatment for Polish products and ^{therefore} a decision to amend Proclamation 4991 ^{is not likely to} ~~will~~ have ^{any} ~~no~~ direct impact on West European-Polish relations. West Europeans continue to maintain that the suspension of MFN status is strictly a bilateral issue between Washington and Warsaw that does not presume a broader application within the Alliance. [REDACTED]

Enactment of the recommendation, however, could pose problems for future West European-US relations. West European governments could point to such action as US acceptance of the "sanctity of contracts" concept that was so vigorously maintained by the Allies last year when US sanctions were imposed against Siberian pipeline equipment. The European Community in particular could view this as ammunition to argue that a "contract sanctity" clause should be included when the Export Administration Act is renewed. On the other hand, if the US specifies that this act does not change its traditional policy, West Europeans probably would contend cynically that the US now is bowing to the kind of business pressure their governments were expected to resist during the pipeline dispute. [REDACTED]

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[REDACTED]
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THE UNITED STATES TRADE REPRESENTATIVE

WASHINGTON

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Snoopy - AS/P.

- memo due to DCI
10:00 - 23 Mar.**CONFIDENTIAL**

March 16, 1983

Executive Registry

83-1603

DDI-223-83

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM E. BROCK

SUBJECT: Amendment of Proclamation Suspending Most Favored Nation (MFN) Treatment for Poland to Reduce Harm to U.S. Firms

On October 27, 1982, you suspended in Proclamation 4991 most-favored nation (MFN) treatment for products of Poland. In accordance with the requirements of Section 125 of the Trade Act of 1974, my office held on December 8, 1983, a public hearing on the impact of the suspension. In connection with the public hearing a small number of U.S. firms requested a limited exemption for imports that they contracted for before the decision to suspend MFN was announced. These firms will suffer large losses because they, rather than the Polish exporter, must pay the increased duty and could incur even larger losses if they do not fulfill their contracts.

In light of the information developed at the hearing, I recommend with the advice and concurrence of the Trade Policy Committee agencies that Proclamation 4991 be modified to exempt articles exported prior to June 30, 1983, when those articles are exported pursuant to a binding contract entered into before you announced your decision to terminate MFN. In our judgment such a technical amendment to the proclamation will not be viewed as a softening of our opposition to the Polish martial law regime and its treatment of Solidarity. The proposed amendment would permit a small number of U.S. firms to import at the old rate of duty goods which they are already obligated to import. It would therefore reduce the adverse effects on these U.S. companies of the higher duties without benefiting Poland in any way. This technical amendment would help U.S. firms without impinging on the intent of Proclamation 4991 to punish Poland.

If you agree with this recommendation, we will prepare for your signature a proclamation amending Proclamation 4991.

Agree _____

Disagree _____



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